

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07

L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 /094 W

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R 241805Z JAN 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7607

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

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USMISSION EC BRUSSELS

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USMISSION GENEVA

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E.O. 11652: N/A

TAG: ELAB, UK, PINT

SUBJECT: UNEMPLOYMENT AND THE SOCIAL CONTRACT

REF: (A) LONDON 1027; (B) LONDON 660; (C) LONDON 166

BEGIN SUMMARY - A CONTINUATION OF THE PRESENT UNEMPLOY-
MENT TREND IN GREAT BRITAIN WOULD BRING UNEMPLOYMENT TO
THE PSYCHOLOGICALLY AND POLITICALLY SERIOUS ONE MILLION
MARK BY THE END OF THE YEAR. THIS PROJECTION IS DRAWN
FROM THE ANNOUNCEMENT BY SECRETARY OF STATE FOR EMPLOY-
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MENT MICHAEL FOOT OF AN "APPROXIMATE ACCOUNT" OF UN-

EMPLOYED FOR GREAT BRITAIN.

ACCORDING TO THE DEPARTMENT OF EMPLOYMENT REPORT (FULL DETAILS BY AIRGRAM), THE ACTUAL TOTAL OF UNEMPLOYED ON JANUARY 20 FOR GREAT BRITAIN -- EXCLUDING NORTHERN IRELAND -- WAS 731,000 (ALSO EXCLUDING SCHOOL LEAVERS AND ADULT STUDENTS) OR 3.3 PERCENT. THE SEASONALLY ADJUSTED FIGURE WAS 675,000, OR ABOUT 3 PERCENT. END SUMMARY

1. THE EMPLOYMENT SECRETARY TOLD THE HOUSE OF COMMONS YESTERDAY THAT FUTURE FIGURES MIGHT BE EVEN HIGHER AND THAT THE GOVERNMENT MAY BE COMPELLED TO INTRODUCE EMERGENCY MEASURES TO DEAL WITH UNEMPLOYMENT, ALTHOUGH HE DID NOT ELABORATE ON WHAT MEASURES HE HAD IN MIND. FOOT SAID THAT THE GOVERNMENT WAS IN AGREEMENT WITH TUC GENERAL SECRETARY LEN MURRAY THAT LIMITING UNEMPLOYMENT WAS AN ESSENTIAL PART OF THE SOCIAL CONTRACT. ON THE OTHER HAND, HE DID NOT SEE ANY NEED TO "TIGHTEN UP" THE TUC'S WAGE GUIDELINES, BUT RATHER "A STRICTER ALLEGIANCE TO THE TERMS AND PRINCIPLES OF THE GUIDELINES THEMSELVES. MR. FOOT ALSO DECLARED: "THE GOVERNMENT HAS NO INTENTION WHATSOEVER OF REINTRODUCING A STATUTORY SYSTEM. WE BELIEVE IT WOULD BE A GOSPEL OF DISASTER AND DESPAIR."

2. FOOT'S REMARKS IN PARLIAMENT REAFFIRM WHAT HE TOLD US PRIVATELY EARLIER IN THE WEEK DURING A DISCUSSION OF A NUMBER OF ISSUES (REF A). AT THAT TIME, HE DENIED THAT THE GOVERNMENT WAS SEEKING TO "RENEGOTIATE" THE SOCIAL CONTRACT WITH THE TRADE UNIONS (SEE SHIRLEY WILLIAMS' VIEW IN REF B.) HE ACKNOWLEDGED THAT SOME OF THE ASSUMPTIONS WHICH UNDERLIE THE SOCIAL CONTRACT WERE MORE OPTIMISTIC THAN ACTUAL TRENDS ARE NOW INDICATING, BUT HE MADE IT CLEAR THAT "RENEGOTIATION" AT THIS STAGE WOULD BE TOTALLY UNACCEPTABLE TO THE UNIONS -- PARTICULARLY SINCE THE WAGE ROUND IS ONLY ABOUT HALF OVER.

3. IN OUR DISCUSSION WITH HIM, THE EMPLOYMENT SECRETARY EMPHASIZED THAT THE GOVERNMENT WILL SIMPLY TRY TO OBTAIN FROM THE TUC STRICT ADHERENCE TO THE GUIDELINES, AND

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HE WARMLY WELCOMED A STATEMENT BY TUC GENERAL SECRETARY
LEN MURRAY THIS WEEK IN WHICH MURRAY APPEARED TO ACCEPT
-- IN A SOMEWHAT BACK-HANDED WAY -- AN IMPORTANT POINT
MADE BY CHANCELLOR HEALEY (REF B) THAT SOME DECLINE IN
LIVING STANDARDS IS NECESSARY. (MURRAY HAD STATED THAT
"IT IS NOT OUR POLICY THAT UNIONS SHOULD BASE CLAIMS ON
ANTICIPATED FUTURE PRICE INCREASES...NOR HAS THE TUC
SAID THAT THE UNIONS SHOULD TRY TO MAKE UP FOR THE EXTRA
INCOME TAX WHICH WILL BE ATTRACTED BY HIGHER WAGES."
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THIS APPEARS TO BE THE FIRST TIME SINCE THE SOCIAL

CONTRACT WAS PROMULGATED THAT A TUC LEADER HAS MADE SUCH A STATEMENT INDICATING THAT UNIONS SHOULD ENDEAVOR ONLY TO KEEP GROSS PAY RATHER THAN NET PAY CONSONANT WITH THE COST OF LIVING.)

4. DURING A COURTESY CALL ON JACK JONES MADE YESTERDAY (JANUARY 23) BY THE CHARGE, THE TUC LEADER MADE IT CLEAR THAT THE GOVERNMENT HAD NOT APPROACHED THE TUC ON "RENEGOTIATION" OF THE CONTRACT. JONES, FOOT, AND OTHER "SOCIAL CONTRACTORS" APPEAR TO BE STANDING BY THEIR GUNS, REPEATING ALMOST RITUALLY THAT "ALL IS WELL" OR AT LEAST "AS WELL AS CAN BE EXPECTED." HOWEVER, ONE ASTUTE OBSERVER (PETER JENKINS, "GUARDIAN," JANUARY 24) DETECTS A NEW SENSE OF REALISM BOTH IN THE GOVERNMENT AND IN THE TUC. HE NOTES THAT -- AT LEAST IN MURRAY'S STATEMENT -- THERE IS A TACIT ACCEPTANCE THAT STANDARDS OF LIVING MUST IN FACT DROP IN ORDER TO DEAL WITH INFLATION.

5. THE NEXT COUPLE OF MONTHS WILL BE CRITICAL -- INCLUDING GETTING THROUGH IMPORTANT NEGOTIATIONS BY THE MINERS AND POWER WORKERS AS WELL AS ENGINEERS AND RAILWAY WORKERS. IN THE MEANWHILE, SUBTLE "REDEFINITION" RATHER THAN "RENEGOTIATION" OF THE SOCIAL CONTRACT MAY ALREADY BE TAKING PLACE.

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